

Trucking through a Soft Economy

A **CostDown Consulting** Training File

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Programs and Training that Improve
Driver and Fleet Performance

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OVERVIEW: **Trucking Through a Soft Economy**

Controlling costs is always a critical success factor in a low margin business like trucking, but when the economy turns south and revenues decline, survival often depends on finding new opportunities to further reduce your costs.

This training presentation will provide you with 7 strategies that may help you find those additional cost reductions.

Each Strategy will be introduced in a Concept view and then be followed by 2-3 slides of Details to provide insight into some of the steps required for implementation.

CONCEPT: Contingency Plans to Reduce Corporate Budget

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Develop with your Executive Group two contingency plans that, in total, will reduce Corporate Overhead by a total of 1.0% of Revenue.

- Plan 1 would reduce 0.6% of your budget
- Plan 2 would reduce an additional 0.4% of your budget

Notes:

1. Percentage reductions will vary by company based on current corporate overhead structure. Be as aggressive as possible.
2. When Revenues decline to the point where a reduction is needed, Plan 1 would be implemented.
3. If additional reductions were needed, Plan 2 would then be implemented.

DETAILS: Contingency Plans to Reduce Corporate Budget

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- Plans should not only include what will be cut but must map out exactly how the company will replace the services or employees being eliminated.
- Plans must be specific enough that once the decision is made to implement, each department head will know exactly what must be done and implementation will be immediate and seamless.
- Have severance packages prepared in advance and offset the additional cost of severances with additional cost reductions in your plan.
- All discretionary spending should be reviewed for plan inclusion including 'soft' benefits such as company cars, expense accounts, etc...

DETAILS: Contingency Plans to Reduce Corporate Budget

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- Plans should include notifying vendors that due to economic conditions, a 5% cost reduction is being requested or else that business or service will be placed up for bid.
- Redefine and issue an Expense Control Policy that details which expenses field managers are authorized to make and which are not allowed.
- Revisit all pending capital expenditures for necessity.
- Once your plans have been implemented, issue a communication to all employees openly explaining what actions were taken, why they were taken and providing assurances that the company is financially secure and will remain so going forward.

CONCEPT: Driver Productivity – Goals & Accountability

Review your Driver Productivity Program to ensure that clear and aggressive performance goals are in place and that Terminal Personnel are trained to monitor, motivate and discipline drivers as needed to improve performance.

Notes:

1. A 100 truck fleet that improves Driver Productivity 4% could eliminate benefit costs for 4 drivers while reducing the total fleet size required to service their accounts.
2. Shed unproductive drivers. Due to the Driver Shortage, many companies tolerate low performing drivers believing that a driver operating at 80% productivity is better than an empty truck. While volumes are down, continue with your hiring efforts until these drivers are completely replaced.

DETAILS: **Driver Productivity – Goals & Accountability**

- Goals should be established for each driver based on Terminal and Board specific expectations.
- Productivity monitoring reports must be accurate, provide trend analysis and available weekly for Terminal and Driver Managers to analyze individual driver performance.
- Terminal and Driver Managers should be assigned Performance Targets for their respective driver groups and regardless of company profitability, should have bonus opportunity for achieving those goals.
- Publish a monthly Terminal Audit Report that lists under performing drivers. Require a response from each terminal that includes interview date with the driver and corrective actions taken.

DETAILS: **Driver Productivity – Goals & Accountability**

- Driver Managers are the key to improving Driver Productivity and should be trained in the following skills :
 - ✓ Ability to facilitate Driver Reviews to discuss individual performance and goals, and to develop improvement plans where needed that include action items and timelines
 - ✓ Effective performance monitoring techniques
 - ✓ Identification of performance obstacles (customers, start times, attendance, equipment, traffic, routing, etc...)
 - ✓ Strong Problem Resolutions skills; ability to remove performance obstacles and resolve driver personal problems
 - ✓ Strategic Scheduling of Dispatches, Home Time, PMs
 - ✓ Motivation techniques: respect, recognition, seek and act on driver advise

CONCEPT: Driver Productivity – Network and Operations

Identify areas within your network and operations that are negatively impacting Driver Productivity and make the needed changes.

Notes:

1. Companies can become complacent about their current operations thinking they are already doing all they can to support Driver Productivity.

However, an objective and in-depth analysis of their freight network and terminal operations will often reveal real opportunities to improve Driver Productivity.

DETAILS: Driver Productivity – Network & Operations

- Review with individual Driver Managers how often their drivers are returned home empty (to meet Home Time commitment) and provide training in ‘advanced load planning’ and ‘alternative home time days negotiation’ skills.
- Minimize loads dropped at terminals for convenience through aggressive monitoring and a policy statement that requires direct-to-customer deliveries where possible.
- Reschedule technicians (without increasing total hours worked) and extend shop hours where increased coverage will reduce driver delays.
- Identify customers with restrictive delivery hours and/or a history of delaying drivers and attempt to negotiate improved delivery windows and delivery procedures.

DETAILS: Driver Productivity – Network & Operations

- ‘Marry’ loads together so that voluntary owner-operator dispatch decisions won’t always leave the lowest laden mile runs for company drivers.
- Consider earlier dispatch hours to allow for pre-rush hour driving through congested traffic areas.
- Analyze network to identify and correct terminal locations not sharing backhaul freight due to efforts to pacify domiciled drivers.
- Make sure terminals aren’t delivering weekend deliverable freight during the week, thereby diminishing Saturday and Sunday work opportunities.

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CONCEPT: Driver Productivity – Recruiting & Retention

Revise Driver Recruiting and Driver Retention Programs to accommodate:

1. Recruiting: a possible temporary reduction in the amount of drivers you need to recruit
2. Retention: guard against the potential for increased turnover due to layoffs and resultant lower earnings

Notes:

1. Driver Retention has a huge impact on Driver Productivity. New drivers are very unproductive because they have to learn new customers, routes, company policy, etc... Improving retention reduces the amount of new drivers and therefore automatically helps productivity.

DETAILS: Driver Productivity – Recruiting & Retention

- If Driver Recruiting demands have lessened, redefine candidate profile to meet exact specifications of your ideal driver including requiring new hires to live in close proximity to terminal.
- Revise Recruiting Budget to allow for reduced and more geographically targeted advertising needs, less frequent Driver Orientations and reduced travel expenditures.
- Continue to hire ideal candidates and be more aggressive in terminating unproductive drivers.
- If your business model allows, stop recruiting owner-operators unless all company drivers are active and operating at full capacity.

DETAILS: Driver Productivity – Recruiting & Retention

- Use layoffs instead of operating drivers at less than full productivity but takes steps to minimize impact on turnover:
 - ✓ Offer layoffs on a voluntary basis first then use a rotation plan (example: 3 weeks active, 1 week on layoff). Avoid seniority based layoffs as prolonged periods of no work for junior drivers will increase turnover.
 - ✓ If in the rotation layoff mode, decrease frequency drivers get home during active period to improve monthly earnings while reducing the cost of retuning them home.
 - ✓ Communicate consistently with your drivers with letters to their homes from the CEO providing company updates, reassuring them that the good times will return and reinforcing that they are very important to the company.

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CONCEPT: **Fleet Utilization – Maximize Application**

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Analyze entire company fleet and reallocate equipment to the most cost effective applications based on :

1. Functionality (Example: Day Cab vs. Sleeper)
2. Operating Costs
3. End of Life Odometer Mile considerations

Notes:

1. Operating Costs for purposes of our discussion are maintenance and fuel costs.
2. End of Life Odometer Mile considerations deal with minimizing total odometer miles on equipment coming up for trade in or sale.

DETAILS: Fleet Utilization – Maximize Application

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➤ Define maintenance and fuel costs by individual model to identify highest operating cost equipment. Capture total odometer miles for each tractor and months until trade date.

Using that information, park the highest operating cost equipment (assumes reduced revenue has temporarily reduced fleet needs) and develop a rotation plan to replace that equipment. Rotation Plan should include the following additional considerations:

- ✓ Highest mpg equipment should be placed in runs with longest monthly miles.
- ✓ Place equipment near end of life cycle into low mileage applications to avoid high mileage penalties.

List Continued ...

DETAILS: Fleet Utilization – Maximize Application

- ✓ Highest maintenance cost equipment should be placed at locations with their own shop.
- ✓ Newest equipment should be on slip seat and night runs to minimize chance of after-shop-hours breakdowns.
- ✓ Reallocate equipment not in proper applications. For example, a single shift Day Cab running 9,000 miles/mo. has a suspiciously long average length of haul; possibly into backhaul territories where use of a sleeper instead would allow an overnight stay to secure a return load.
- ✓ Group like model equipment at same terminal to reduce parts inventory and maintenance costs.

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CONCEPT: **Fleet Utilization – Productivity Improvements**

Review your Fleet Utilization Program to ensure that clear and aggressive performance goals are in place and that Terminal Personnel are trained to monitor and improve performance

Notes:

1. Fleet and Driver Productivity are directly related. Combine the Details provided in this section with those listed for Driver Productivity – Network and Operations, especially regarding the responsibilities and training needs of Driver Managers.

DETAILS: Fleet Utilization – Productivity Improvements

- Establish monthly mileage performance goals for each terminal and each type of equipment.
- Make sure monthly monitoring reports are available that report individual truck and terminal mileage performance.
- Publish a monthly audit report that lists under performing equipment. Require that terminals respond with reasons and action plans for improvement or change in status to allow for transfer.
- Minimize or eliminate spares; particularly at larger terminals where trucks assigned to drivers off on illness or vacation will fund the needed spare pool.
- Look for additional slip seat and day-night opportunities.

DETAILS: Fleet Utilization – Productivity Improvements

- Driver Managers are the key to improving Fleet Utilization and should be trained in the following skills :
 - ✓ Monitor shop counts daily. Use an outside service to expedite repairs when shop counts become excessive.
 - ✓ Plan PMs, Inspections and Maintenance Campaigns around driver scheduled days off.
 - ✓ Use GPS tracking where available to monitor daily equipment usage and progress.
 - ✓ React promptly to breakdowns and continually monitor progress until equipment is back in operation.
 - ✓ Analyze equipment needs weekly to determine if over fleeted. Report excess equipment promptly.

CONCEPT: Reduce Fuel Costs

Review your Fuel Management Program to ensure that all possible conservation measures are in place.

Notes:

1. In recent years, environmental concerns have become almost as important as cost concerns when discussing the need for Fuel Conservation.

When reviewing Fuel Conservation procedures with your drivers, mention the 'green' concern frequently. Many drivers are more aware and supportive of environmental issues than they are of the fuel cost impact on their employer's bottom line.

DETAILS: Reduce Fuel Costs

- Set Idle Time and MPG goals. Have Driver Managers monitor performance and review with individual drivers.
 - ✓ Set monthly non-compliance thresholds, publish list of High Idle/MPG Drivers and require that Driver Managers develop improvement action plans with those drivers.
- Ensure that Driver Managers are trained to monitor and control out-of-network fueling.
- Revisit your 'Take Truck Home' policy.
- Publish a formal Idling Policy. Require Driver Managers to sign off after reviewing it with each of their drivers.
- Bring in competing Fuel Card providers to assess your current network in hopes of providing a cheaper fuel solution.

DETAILS: Reduce Fuel Costs

- Bring in current Fuel Card provider to reassess your network and renegotiate truck stop discounts based on recent purchase history.
- Reissue 'Off Route' Policy and make sure Driver Managers monitor off route miles aggressively.
- Join SmartWay. That partnership will formalize efforts to reduce fuel consumption while providing an 'environmental responsibility' incentive for your drivers to cooperate.
- Issue monthly Fuel Conserving Tips to the driver from the CEO that discuss the high cost of fuel, current MPG and Idling performance, the company's environmental responsibility and provides conservation tips like maintaining proper tire pressure, smooth shifting, etc...

DETAILS: Reduce Fuel Costs

- If fleet is partially APU equipped, make sure those trucks are on runs where frequent overnight stays are required.
- Publish weekly net-tax costs of fuel by state to provide terminals guidance on where fuel should be purchased.
- Maximize non-idling overnight opportunities, such as plug ins, Idle Air or authorized stays at Driver's home.
- Look at performing PM and minor maintenance on the road if it will eliminate enough miles to pay for the additional cost of an outside vendor.
- Publish weekly an estimated cost-per-mile of fuel for Driver Managers to use in their decision making when making dispatch, shop and home time decisions.

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***Contact us for a
no cost; no obligation
consultation***

Existing and Prospective Clients:

Outside of reducing Corporate Overhead expense, the most significant cost reduction opportunities are found through improvements in Driver Productivity, Fleet Utilization & Fuel Conservation; the strategies we just discussed.

To best capitalize on these opportunities, companies should to do the following:

1. Evaluate their operations objectively. Do not assume that you have already made all the cost reductions possible.
2. Do not lose sight of the future. Keep Driver Retention in mind and invest in training your Driver Managers; they are the employees in your organization that directly control how effectively your drivers and fleet perform.

CostDown Consulting specializes in auditing trucking operations and providing the programs and training your terminals need to improve Driver and Fleet Performance. Please contact us if you would like to discuss how we could audit your operations and improve the performance of your drivers and fleet.

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